

CONFIDENTIAL

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Refer

To:  
PS/Secretary of State

cc Minister for  
Sir Peter Gregson  
Mr Knighton  
Mr Hosker  
Mr Dell  
Mr Meadway OT2  
Mr Caines  
Mr Petter OT4/1  
Mr Coolican OT2/3  
Miss Harding BTFL

From:  
Mr S Nunn  
OT2/3 PU  
R543/KH  
215-8397

6 June 1990

#### EXPORT CONTROLS: LETTER FROM THE CHAIRMAN OF MATRIX CHURCHILL

##### ISSUE:

1. How to reply to the letter of 8 May from Mr Henderson, Chairman of Matrix Churchill, concerning machine tool exports to Iraq.

##### RECOMMENDATION

2. You should reply along the lines of the draft letter attached.

##### TIMING

3. Routine

##### BACKGROUND

4. It has been the Government's policy to grant licences for the export of machine tools to Iraq where they are for use for civil purposes. However, in the light of recent events concerning the Iraqi supergun, and efforts by the Iraqis to procure nuclear triggers, FCO and MOD have expressed doubts about whether export licences should be granted for this equipment at the present time.

5. There are a number of export licence applications outstanding for machine tool exports to Iraq. These include eight export licence applications submitted by Matrix Churchill for export orders worth some £5m. Bridgeport Machine Tools and FMT Ltd are also similarly effected.

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6. Mr Henderson was a member of the delegation from the Machine Tool Technologies Association which saw Lord Trefgarne on 17 May. Churchill and the other companies present aired their concerns about delays in licensing machine tool exports to Iraq at that meeting. The Minister for Trade undertook to look into the matter personally.

#### ARGUMENT

7. The FCO was initially prepared to agree to the granting of export licences for these machine tools when the matter was discussed in the Cabinet Office Iraqi Gun Group. However, the view subsequently changed and William Waldegrave in his letter 30 May proposed postponing the decision for three months. This reflected his concerns about the likely criticism that a decision to grant licences would attract at the present time.

8. The Minister for Trade has replied (copy attached) taking issue with the arguments put forward by the FCO. However, given that the FCO's response is likely to take several days to issue, you should now reply to Mr Henderson confirming the present position.

#### CONCLUSION

9. You should reply confirming that Ministers are considering the outstanding licence applications for machine tool exports to Iraq and will take full account of the commercial significance of the orders involved.

STUART NUNN

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## File No.

DRAFT

Addressed to:

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 Matrix Churchill Ltd  
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*(Initials and date)*

## DEPARTMENT OF TRADE AND INDUSTRY

Thank you for your letter of 8 May concerning the Government's policy towards machine tool exports to Iraq and the delays that you have experienced in securing export licences. The Secretary of State has asked me to reply on his behalf.

The Secretary of State understands the difficulties caused by delays in processing export licence applications. It is the Government's policy to encourage trade with Iraq where it is for legitimate civil purposes. However, you will appreciate, that given the Government's guidelines on exports to Iran and Iraq which have been in operation since 1985, there is a need to rigorously scrutinise all export licence applications in accordance with stringent criteria. The need to ensure that equipment or technology concerned is not intended for military use has increased in the light of recent events.

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I understand that you met the Minister for Trade as a member of a delegation from the Machine Tool Technologies Association recently to discuss the concerns outlined in your letter. Lord Trefgarne confirmed to you at that meeting that the outstanding licence applications have been considered by officials in the inter-departmental committee and undertook to review the matter personally.

I can assure you that the machine tool exports with which you are concerned are under consideration by Ministers at the present time. The commercial significance for your company of the orders involved is recognised, as well as the need to reach a decision as speedily as possible. You will appreciate, however, that there are other factors which Ministers will need to take into account in deciding whether export licences should be granted.